



# National Child Care Information Center

*A service of the Child Care Bureau*



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## CHILD CARE TAX CREDITS for PARENTS

The following Federal agency and national organizations have information about tax laws for families as they apply to child care. Information about provisions such as the Federal and State Child and Dependent Care Tax Credits, the Federal and State Earned Income Tax Credits, and the Child Care Tax Credit can help parents lower their taxes and/or increase the amount of their refund.

### FEDERAL AND STATE AGENCIES

#### ■ Internal Revenue Service (IRS)

800-TAX-1040 (829-1040)

World Wide Web: <http://www.irs.gov/>

The IRS is the nation's tax collection agency and administers the Internal Revenue Code enacted by Congress. Information about how to contact a local office of the IRS is available on the Web at <http://www.irs.gov/localcontacts/index.html>.

In order for families to claim the Federal Child and Dependent Care credit, they must file a Federal income tax return — either Form 1040 or 1040A — and attach a separate “schedule” or form with their return. With Form 1040, families must attach Form 2441. With Form 1040A, families use Schedule 2. Free copies of these forms can be obtained by calling the IRS at 800-TAX-FORM (829-3676) or on the Web at [www.irs.gov/formspubs/index.html](http://www.irs.gov/formspubs/index.html). Additional information about the Child and Dependent Tax Credit and others Federal tax credits for parents is available on the Web at <http://www.irs.gov/taxtopics/tc600.html>.

For information on other topics, contact the IRS at 800-829-4477 to listen to pre-recorded messages covering about 150 tax topics.

■ State or Commonwealth Tax/Revenue Home Pages, compiled by the Small Business Administration, links to the Tax/Revenue Home Pages of the individual States. This resource is available on the Web at <http://www.sba.gov/hotlist/statetaxhomepages.html>. Twenty-seven States offer a State child and dependent care tax credit (AR, CA, CO, DE, DC, HI, ID, IA, KS, KY, LA, ME, MD, MA, MN, MT, NE, NM, NC, OH, OK, OR, RD, SC, VA, and VT).

## NATIONAL ORGANIZATIONS

### ■ Center for Budget and Policy Priorities (CBPP)

820 1<sup>st</sup> Street NE, #510

Washington, DC 20002

202-408-1080

World Wide Web: <http://www.cbpp.org>

CBPP is a nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs, with an emphasis on those affecting low- and moderate-income people. The following resources relate to tax credits:

- *2006 Earned Income Tax Credit Outreach Kit* (2006) has information in various languages about the Earned Income Tax Credit and child care tax credits. CBPP will answer questions at 202-408-1080 and information is available on the Web at <http://www.cbpp.org/eic2006/>.
- *A Hand Up: How State Earned Income Tax Credits (EITC) Help Working Families Escape Poverty in 2004* (2004), describes the how EITC at both the Federal and State level has been successful in supporting work and reducing poverty. This resource is available on the Web at <http://www.cbpp.org/5-14-04sfp.htm>.

### ■ National Association of Child Care Resource and Referral Agencies (NACCRRA)

3101 Wilson Boulevard, Suite 350

Arlington, VA 22201

World Wide Web: <http://www.naccrra.org/>

NACCRRA is the national network of more than 850 child care resource and referral centers (CCR&Rs) located in every state and most communities across the US. CCR&R centers help families, child care providers, and communities find, provide, and plan for affordable, quality child care. The following document has information about taxes that relate to parents with children in child care:

- “Taxes and Child Care: Information CCR&Rs Can Use to Help Families and Employers Learn About the New Federal Tax Law” (2003), *TAP* [Technical Assistance Paper] No.11, by Edna Ranck, provides CCR&R staff with basic information about the Economic Growth and Tax Relief Reconciliation Act of 2001 tax law so they can inform parents, providers, and employers about what the law can mean to them. This resource is available on the Web at <http://www.naccrra.org/docs/tap11.pdf>.
- Federal Earned Income Tax Credit (EITC) is available on the Web at [http://nccp.org/policy\\_index\\_7.html](http://nccp.org/policy_index_7.html).

■ **National Community Tax Coalition (NCTC)  
Center for Economic Progress**

29 East. Madison Street, Suite 910  
Chicago, IL 60602  
312-252-0280

World Wide Web: <http://www.tax-coalition.org>

NCTC exists to help family advocates carry out outreach about the Earned Income Tax Credit, develop and improve free tax preparation programs, and link free tax preparation to asset-building programs. NCTC is building a movement to dramatically increase low-income people's access to tax credits and benefits and asset-building opportunities through advocacy, coalition-building, outreach, and capacity-building support to affiliates. The Coalition is a project of the Center for Economic Progress.

■ **National Women's Law Center (NWLC)**

11 Dupont Circle NW, Suite 800  
Washington, DC 20036  
202-588-5180

World Wide Web: <http://www.nwlc.org>

NWLC works to protect and advance the progress of women and girls at work, in school, and in virtually every aspect of their lives. The Center brings to its work extensive subject expertise in the major areas of family economic security, health, employment and education. NWLC uses a variety of tools to maximize its impact in bringing women's concerns to public policy makers, advocates and the public alike, including public policy research, monitoring and analysis; litigation, advocacy and coalition-building; and public education. Information about taxes and child care is available on the Web at <http://www.nwlc.org/display.cfm?section=tax>. The following resources are available on the Web:

- *Lower Your Taxes: A Tax Credits Outreach*, a section of the NWLC's Web site (updated January 2006) at <http://www.nwlc.org/details.cfm?id=2493&section=tax> provides resources to inform families about Federal and State tax benefits for which families may be eligible and assists advocates in educating others about the value of these benefits. In collaboration with eleven advocacy organizations, the NWLC is launching a Tax Credits Outreach Campaign in eight states (California, Iowa, Louisiana, Nebraska, New Mexico, New York, Ohio, and Oregon) and the District of Columbia, to inform families about the tax benefits they are entitled to claim, with a special emphasis on reaching families through child care services networks.
- *Making Care Less Taxing: Improving State Child and Dependent Care Tax Provisions* (April 2002, March 2005), by Elisabeth Hirschhorn Donahue and Nancy Duff Campbell, is designed to help State policy makers and advocates in developing the best child and dependent care (CADC) income tax provisions possible for their States. The report analyzes and evaluates tax policies relating to care for children and adult dependents; reviews the reasons supporting enactment of CADC tax provisions; describes the Federal child and dependent care tax credit, which serves as the basis for many State provisions; and provides an overview of the State CADC tax provisions in effect for tax year 2001. The report also identifies policy decisions commonly made when enacting and

implementing CADC income tax provisions and makes recommendations designed to help policy makers and advocates identify and pursue the best decisions for families. This resource is available on the Web at

<http://www.nwlc.org/pdf/MakingCareLessTaxing2002.pdf>. The 2005 Supplement to Making Care Less Taxing is available on the Web at <http://www.nwlc.org/pdf/DCTCUpdate2005.pdf>.

- *Credit Where Credit Is Due* (January 2005) has information about four of the tax breaks in the Federal income tax code: the Dependent Care Tax Credit, the Child Tax Credit, the Earned Income Tax Credit, and the Dependent Care Assistance Program. The information can help determine who is eligible to receive the tax assistance these provisions offer for tax year 2002, gives an idea of the amount of tax assistance that can be received and how to claim it, and answers other questions about these tax breaks. This resource is available on the Web at <http://www.nwlc.org/pdf/CreditWhereCreditIsDueTY04.pdf>.
- *Tips Regarding Your Flexible Spending Account for 2004 Child and Dependent Care Expenses* (October 2003) helps parents decide whether to participate in a flexible benefits plan for child and dependent care expenses. This resource is available on the Web at <http://www.nwlc.org/pdf/TaxCreditTipSheet2003.pdf>.

#### ADDITIONAL PUBLICATIONS

■ “Tax Credits to Help Low-Income Families Pay for Child Care” (July 2005), *Tax Policy Issues and Options* No. 14, by Leonard E. Burman, Elaine Maag, and Jeffrey Rohaly, published by the Urban Institute, focuses on tax policies that can help low-income families pay for child care. First, it analyzes recent changes to the Child and Dependent Care Tax Credit (CDCTC), the main child care–focused instrument in the tax code, to determine whether these changes reached more low-income families. Second, it offers two options for increasing the credit’s value to low-income families: (1) making the credit refundable so low-income families with no tax liability can receive it; and (2) increasing the credit rate. Third, it considers expanding the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) as an alternative way to help low-income families with children. This resource is available on the Web at [http://www.urban.org/UploadedPDF/311199\\_IssuesOptions\\_14.pdf](http://www.urban.org/UploadedPDF/311199_IssuesOptions_14.pdf).

■ “Table 5. States with Child Care Tax Provisions for Parents” (2004) in *State Developments in Child Care, Early Education, and School-Age Care* 2003, published by the Children’s Defense Fund, lists the following information about the status of child care tax provisions for parents in each State:

Arkansas	The State has a refundable tax credit.
California	The State has a refundable tax credit.
Colorado	The State has a refundable tax credit.
Delaware	The State has a tax credit that is not refundable.
District of Columbia	The District has a tax credit that is not refundable.
Hawaii	The State has a refundable tax credit.

Idaho	The State has a tax deduction.
Iowa	The State has a refundable tax credit.
Kansas	The State has a tax credit that is not refundable.
Kentucky	The State has a tax credit that is not refundable.
Louisiana	The State has a refundable tax credit.
Maine	The State has a refundable tax credit.
Maryland	The State has a tax deduction and a tax credit that is not refundable.
Massachusetts	The State has a tax deduction.
Minnesota	The State has a refundable tax credit.
Montana	The State has a tax deduction.
Nebraska	The State has a refundable tax credit.
New Mexico	The State has a refundable tax credit.
New York	The State has a refundable tax credit.
North Carolina	The State has a tax credit that is not refundable.
Ohio	The State has a tax credit that is not refundable.
Oklahoma	The State has a refundable tax credit.
Oregon	The State has two tax credits: one is refundable.
Rhode Island	The State has a tax credit that is not refundable.
South Carolina	The State has a refundable tax credit.
Vermont	The State has a refundable tax credit.
Virginia	The State has a tax deduction.

For additional information, contact the Children’s Defense Fund at 202-628-8787 or on the Web at <http://www.childrensdefense.org>.

■ “Tax Reform for Families: An Earned Income Child Credit” (July 2003), *Brookings Institution Policy Brief: Welfare Reform and Beyond* No. 26, by Adam Carasso, Jeffrey Rohaly, and C. Eugene Steuerle, Brookings Institution, argues that the time is ripe for an integrated credit that combines the Earned Income Tax Credit (EITC) and the CTC into an Earned Income Child Credit (EICC). The proposed EICC simplifies and standardizes the definition of qualifying children and those who may claim them, and indexes the new credit for inflation so that it retains its purchasing power over time. The EICC also provides enhanced benefits to low-income working families and reduces marginal tax rates. This resource is available on the Web at <http://www.brookings.edu/es/wrb/publications/pb/pb26.pdf>.

■ “An Update on the Earned Income and Child Tax Credits Resources” (April 2003), *Resources For Welfare Decisions* Vol. 7, No. 6, by Welfare Information Network (WIN), describes how Federal tax credits for qualifying low and moderate-income workers such as the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) continue to provide essential work supports for low-wage workers. This resource is available on the Web at <http://www.financeprojectinfo.org/Publications/anupdateoneictcRN.htm>.

■ *Tax Facts: EITC Reaches More Eligible Families Than TANF, Food Stamps* (March 2003), by Leonard E. Burman and Deborah I. Kobes, Tax Policy Center, Urban Institute, finds that the Earned Income Tax Credit (EITC) is the most widespread safety net program for low-

income families. This resource is available on the Web at  
[http://www.urban.org/UploadedPDF/1000467\\_EITC\\_reaches.pdf](http://www.urban.org/UploadedPDF/1000467_EITC_reaches.pdf).

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